

GLEN LAKE COMMUNITY SCHOOLS

MAPLE CITY, MICHIGAN

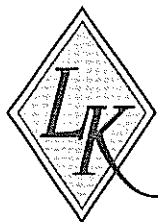
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

July 25, 2006

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Glen Lake Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glen Lake Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Glen Lake Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Glen Lake Community Schools as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2006 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Glen Lake Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Glen Lake Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

District Wide Financial Statements: (Continued)

These two statements report the Glen Lake Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2006 and 2005:

	<u>NET ASSETS SUMMARY</u>	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets	\$2,149,201	\$2,345,622
Non-Current Assets	<u>6,711,771</u>	<u>6,927,507</u>
<u>TOTAL ASSETS</u>	<u>\$8,860,972</u>	<u>\$9,273,129</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,181,768	\$1,338,134
Long-Term Liabilities	<u>4,967,814</u>	<u>5,583,247</u>
Total Liabilities	\$6,149,582	\$6,921,381
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	1,404,684	1,066,848
Restricted - Debt Service	156,217	89,471
Unrestricted	<u>1,150,489</u>	<u>1,195,429</u>
Total Net Assets	<u>\$2,711,390</u>	<u>\$2,351,748</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$8,860,972</u>	<u>\$9,273,129</u>

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2006 and 2005, the District wide results of operations were:

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$5,358,112	\$5,013,982
Property Taxes Levied for Debt Service	659,028	596,524
State of Michigan Unrestricted Foundation Aid	556,958	1,019,899
Other General Revenues	<u>66,515</u>	<u>77,412</u>
Total General Revenues	\$6,640,613	\$6,707,817
<u>Operating Grants:</u>		
Federal	213,586	212,419
State of Michigan	409,373	320,238
Other Operating Grants	<u>156,378</u>	<u>119,930</u>
Total Operating Grants	\$779,337	\$652,587
<u>Charges for Services:</u>		
Food Service	174,550	169,967
Athletics	49,848	56,217
Other Charges for Services	<u>29,861</u>	<u>12,841</u>
Total Charges for Services	\$254,259	\$239,025
Total Revenues	\$7,674,209	\$7,599,429
<u>EXPENSES</u>		
Instruction & Instructional Support	4,154,159	4,382,600
Support Services	2,297,058	2,358,898
Community Services	59,324	21,075
Food Service	252,775	253,949
Athletics	263,023	260,973
Interest on Long-Term Debt	43,251	51,259
Depreciation	<u>244,977</u>	<u>254,243</u>
Total Expenses	\$7,314,567	\$7,582,997
<u>INCREASE IN NET ASSETS</u>	\$359,642	\$16,432
<u>BEGINNING NET ASSETS</u>	<u>2,351,748</u>	<u>2,335,316</u>
<u>ENDING NET ASSETS</u>	<u><u>\$2,711,390</u></u>	<u><u>\$2,351,748</u></u>

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2006, the District's Total Net Assets increased by \$359,642 to a total of \$2,711,390. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$337,836 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The District's Unrestricted Net Assets decreased by \$44,940 during the year and the restricted portion of the net assets increased by \$66,746. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt and the restricted debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund expenditures exceeding revenues.

Analysis of Results of Operations

The district's overall revenues exceeded expenses for the year by \$359,642. The total revenues decreased by \$74,868 or 1% over last years amounts. The major changes in revenue were primarily due to debt collections and decreases in enrollment that affected the operations budget of the school. Expenses decreased by \$268,430 or 4% over last year due to cost cutting measures and staff reductions.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$15,148 during the year with the increase coming primarily in cash. Designated fund balance remains at \$76,542, a provision for additional support programs for students. Revenues for the year increased by \$88,235 due to increases in property taxes, decreases in state aid and transfers from the timber management fund. Expenditures and other financing uses decreased by \$215,493, primarily from cost cutting measures and staff reductions. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)
The State of Michigan aid, unrestricted, is determined with the following variables:
 - a. State of Michigan State Aid Act per student foundation allowance
 - b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
 - c. The District's non-homestead tax levy.
2. Per Student Foundation Allowance:
Annually, the State of Michigan establishes the per student foundation allowance. The Glen Lake Community Schools foundation allowance was \$7,035 per student for the 2005-2006 school year.
3. Student Enrollment:
The District's student enrollment for the fall count of 2005-2006 was 854 students. A decrease of 40 students from the prior year.

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 15.0696 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2005-2006 fiscal year was \$5,339,778. An increase of \$565,627 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$6,595,736	\$6,889,209	\$6,788,425	4.45%	1.46
Expenditures	6,728,025	6,775,744	6,773,233	0.71%	0.04
<u>TOTAL</u>	<u>(\$132,289)</u>	<u>\$113,465</u>	<u>\$15,192</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Glen Lake Community Schools amends its budget during the school year. The June, 2006 budget amendment was the final budget for the fiscal year.

- Original vs. Final Budgets
 - Revenues – Significant items affecting Original vs. Final revenue estimates include:

Federal grant funds received were greater than originally budgeted.
 - Expenditures – Significant items affecting Original vs. Final revenue estimates include:

None

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

ANALYSIS OF BUDGETS: (Continued)

- Final Budget vs. Actual Results
 - Revenues – There were no significant differences between the Final vs. Actual budget.
 - Expenditures – There were no significant differences between the Final vs. Actual budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-1-05	Increases 6-30-06	Principal Payments 6-30-06	Principal Balance 6-30-06
General Obligation Bonds	\$5,860,659	\$0	\$553,272	\$5,307,387
Sick Days Payable	272,588	0	23,120	249,468
<u>Total Long-Term Debt</u>	<u>\$6,133,247</u>	<u>\$0</u>	<u>\$576,392</u>	<u>\$5,556,855</u>

B. Capital Assets

The district's net investment in capital assets decreased by \$215,736 during the fiscal year. This can be summarized as follows:

	Balance 7-1-05	Additions	Deductions	Balance 6-30-06
Capital Assets	\$12,851,664	\$108,196	\$0	\$12,959,860
Less: Accumulated Depreciation	(5,924,157)	(323,932)	0	(6,248,089)
<u>Net Investment Capital Outlay</u>	<u>\$6,927,507</u>	<u>(\$215,736)</u>	<u>\$0</u>	<u>\$6,711,771</u>

Significant additions was the purchase of a bus and resurfacing the running track.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- * Foundation allowance \$7,268
- * Retirement Rates
 The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to increase to 17.74% in 06-07 from 16.34% in 05-06.
- * Voters of the District approved a 1.0 mil sinking fund tax in May, 2006. The first levy for this sinking fund will take place in December, 2006 and is expected to generate \$500,000 of revenue. These property tax collections will be used for building & grounds improvement including but not limited to central heating and air systems, carpeting, flooring and lighting.

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

The Glen Lake Community Schools 2006/2007 adopted budget is as follows:

<u>REVENUE</u>	\$6,526,516
<u>EXPENDITURES</u>	<u>6,714,728</u>
<u>NET (UNDER) BUDGET</u>	<u><u>(\$188,212)</u></u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Glen Lake Community Schools.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,114,629
Investments	723,675
Accounts Receivable	3,676
Interest Receivable	900
Due from Other Governmental Units	302,057
Inventory	4,264
Total Current Assets	<u>\$2,149,201</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	12,959,860
Less: Accumulated Depreciation	<u>(6,248,089)</u>
Total Noncurrent Assets	<u>\$6,711,771</u>
<u>TOTAL ASSETS</u>	<u>\$8,860,972</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	114,265
Accrued Expenses	77,782
Salaries Payable	311,376
Deferred Revenue	89,604
Current Portion of Long-Term Obligations	588,741
Total Current Liabilities	<u>\$1,181,768</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>4,967,814</u>
<u>TOTAL LIABILITIES</u>	<u>\$6,149,582</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,404,684
Restricted for:	
Debt Service	156,217
Unrestricted	1,150,489
<u>TOTAL NET ASSETS</u>	<u><u>\$2,711,390</u></u>

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR JUNE 30, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$4,154,159	\$0	\$537,952	(\$3,616,207)
Support Services	2,297,058	12,462	168,939	(2,115,657)
Community Services	59,324	17,399	0	(41,925)
Food Service	252,775	174,550	72,446	(5,779)
Athletics	263,023	49,848	0	(213,175)
Interest - Long-Term Obligations	43,251	0	0	(43,251)
Depreciation - Unallocated	244,977	0	0	(244,977)
<u>TOTALS</u>	<u>\$7,314,567</u>	<u>\$254,259</u>	<u>\$779,337</u>	<u>(\$6,280,971)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				6,017,140
State Aid				556,958
Investment Earnings				36,155
Miscellaneous				30,360
Total General Revenues and Transfers				<u>\$6,640,613</u>
Change in Net Assets				\$359,642
Net Assets - Beginning				<u>2,351,748</u>
<u>Net Assets - Ending</u>				<u>\$2,711,390</u>

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$916,769	\$197,860	\$1,114,629
Investments	723,675	0	723,675
Accounts Receivable	3,676	0	3,676
Interest Receivable	900	0	900
Due from Other Funds	13,414	0	13,414
Due from Other Governmental Units	302,057	0	302,057
Inventory	0	4,264	4,264
<u>TOTAL ASSETS</u>	<u>\$1,960,491</u>	<u>\$202,124</u>	<u>\$2,162,615</u>
<u>LIABILITIES</u>			
Accounts Payable	\$112,115	\$2,150	\$114,265
Due to Other Funds	0	13,414	13,414
Accrued Expenses	72,503	0	72,503
Salaries Payable	311,376	0	311,376
Deferred Revenue	89,604	0	89,604
Total Liabilities	<u>\$585,598</u>	<u>\$15,564</u>	<u>\$601,162</u>
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	4,264	4,264
Debt Retirement	0	156,217	156,217
Designated	76,542	0	76,542
Unreserved:			
Undesignated, Reported In:			
General Fund	1,298,351	0	1,298,351
Special Revenue Funds	0	26,079	26,079
Total Fund Balances	<u>\$1,374,893</u>	<u>\$186,560</u>	<u>\$1,561,453</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$1,960,491</u>	<u>\$202,124</u>	<u>\$2,162,615</u>

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2006

Total Governmental Fund Balances:			\$1,561,453
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$12,959,860 and the accumulated depreciation is \$6,248,089			6,711,771
Accrued Interest on Long-Term Debt			(5,279)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds Payable		\$5,307,087	
Sick Days Payable		249,468	
Total Long-Term Liabilities			<u>(5,556,555)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>			<u>\$2,711,390</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Local Sources	\$5,589,305	\$885,700	\$6,475,005
State Sources	952,155	14,176	966,331
Federal Sources	150,134	63,452	213,586
Total Revenues	\$6,691,594	\$963,328	\$7,654,922
<u>EXPENDITURES</u>			
Current:			
Instruction	4,154,016	0	4,154,016
Student Services	203,222	0	203,222
Instructional Support	161,807	0	161,807
General Administration	204,041	0	204,041
School Administration	407,140	0	407,140
Business Administration	182,966	0	182,966
Operation & Maintenance of Plant	652,122	0	652,122
Transportation	432,156	0	432,156
Other Support Services	98,090	0	98,090
Community Services	59,324	0	59,324
Special Revenue	0	485,776	485,776
Debt Service	0	598,657	598,657
Total Expenditures	\$6,554,884	\$1,084,433	\$7,639,317
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$136,710	(\$121,105)	\$15,605
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(102,809)	102,809	0
Other Transfers	(18,753)	0	(18,753)
Total Other Financing Sources (Uses)	(\$121,562)	\$102,809	(\$18,753)
Net Change in Fund Balance	\$15,148	(\$18,296)	(\$3,148)
<u>FUND BALANCE - BEGINNING</u>	1,359,745	204,856	1,564,601
<u>FUND BALANCE - ENDING</u>	\$1,374,893	\$186,560	\$1,561,453

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Total net change in fund balances - governmental funds	(\$3,148)
--------------------------------------------------------	-----------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(215,736)
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	553,572
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Decrease in accrued compensated absences	23,120
------------------------------------------	--------

Change in accrued interest on long-term liabilities	<u>1,834</u>
-----------------------------------------------------	--------------

<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>\$359,642</u></u>
--------------------------------------------------------	-------------------------

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2006

	Private Purpose Trusts	Trust & Agency	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$53,668	\$154,527	\$208,195
Investments	595,913	0	595,913
<u>TOTAL ASSETS</u>	\$649,581	\$154,527	\$804,108
<u>LIABILITIES</u>			
Due to Student Groups	0	154,527	154,527
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$649,581</u>	<u>\$0</u>	<u>\$649,581</u>

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trusts</u>
<u>ADDITIONS</u>	
Revenue from Contributions and Earnings	\$41,848
<u>DEDUCTIONS</u>	
Scholarships and Other Expenses	<u>43,771</u>
<u>CHANGE IN NET ASSETS</u>	(\$1,923)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>651,504</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$649,581</u>

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$6,262,704	\$5,586,884	\$5,589,305	\$2,421
State Sources	183,225	963,876	952,155	(11,721)
Federal Sources	149,807	166,191	150,134	(16,057)
Total Revenues	<u>\$6,595,736</u>	<u>\$6,716,951</u>	<u>\$6,691,594</u>	<u>(\$25,357)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	4,145,445	4,152,933	4,154,016	(1,083)
Student Services	205,726	203,234	203,222	12
Instructional Support	110,754	167,864	161,807	6,057
General Administration	267,795	195,566	204,041	(8,475)
School Administration	435,500	406,853	407,140	(287)
Business Administration	135,257	182,973	182,966	7
Operation & Maintenance of Plant	643,616	649,421	652,122	(2,701)
Transportation	329,395	433,031	432,156	875
Other Support Services	135,736	105,995	98,090	7,905
Community Services	26,124	59,335	59,324	11
Total Expenditures	<u>\$6,435,348</u>	<u>\$6,557,205</u>	<u>\$6,554,884</u>	<u>\$2,321</u>
Excess of Revenues Over Expenditures	<u>\$160,388</u>	<u>\$159,746</u>	<u>\$136,710</u>	<u>(\$23,036)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(292,677)</u>	<u>(46,281)</u>	<u>(121,562)</u>	<u>(75,281)</u>
Net Change in Fund Balance	<u>(\$132,289)</u>	<u>\$113,465</u>	<u>\$15,148</u>	<u>(\$98,317)</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,359,745</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,374,893</u>	

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Glen Lake Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains three school service funds: Food Service, Athletic and Timber Management Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2006, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Credit Quality Rating	Portfolio %
Mutual Funds - Bonds:				
Merrill Lynch Core Bond Portfolio	\$ 17,829	7.2700	AA	
Lord Abbott Bond Debenture Fund	18,646	9.8100	BB	
Huntington Fixed Income Securities Fund	48,013	7.1000	AA	
Frank Russell Short Duration Fund	72,075	1.9000	AA	
Frank Russell Diversified Bond Fund	48,197	6.3000	AAA	
Federated Total Return Bond	196,200	6.5000	AA	
Total Mutual Funds - Bonds	\$400,960			30.39%
Mutual Funds - Equities	194,953	N/A	N/A	14.77%
MILAF External Investment Pool - MICMS	70	0.0027	AAAm	0.01%
MILAF External Investment Pool - MIMAX	723,605	0.0027	AAAm	54.84%
Total fair value	<u>\$1,319,588</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>1.7970</u>		

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

4) DEPOSITS AND INVESTMENTS (Continued)

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in mutual funds and pooled investment accounts which represents 100% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$1,048,799 of the District's bank balance of \$1,374,846 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$208,195	\$ 1,322,824
Investments	<u>1,319,588</u>
<u>TOTAL</u>	<u>\$ 2,642,412</u>

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trusts	\$ 53,668
Cash Agency Fund	154,527
Cash – District Wide	1,114,629
Investments – Private Purpose Trusts	595,913
Investments – District Wide	<u>723,675</u>
<u>TOTAL</u>	<u>\$ 2,642,412</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

6) RECEIVABLES

Receivables at June 30, 2006, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 145,450
Federal Grants	128,602
Other Grants	28,005
<u>TOTAL</u>	<u>\$ 302,057</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2006, the School District had no estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

On October 6, 2005, the District borrowed \$900,000 at 3.17% per annum from State Savings Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note was repaid on February 6, 2006.

	<u>Balance 7-1-05</u>	<u>Loan Proceeds</u>	<u>Loan Repayments</u>	<u>Balance 6-30-06</u>
State Aid Note	\$0	\$900,000	\$900,000	\$0

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance 7-1-05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6-30-06</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$11,463,516	\$0	\$0	\$11,463,516
Land Improvements	305,467	23,600	0	329,067
Equipment and Furniture	496,226	23,670	0	519,896
Vehicles	586,455	60,926	0	647,381
Totals at Historical Cost	\$12,851,664	\$108,196	\$0	\$12,959,860
Less: Accumulated Depreciation				
Buildings and Improvements	(5,001,503)	(232,115)	0	(5,233,618)
Land Improvements	(197,472)	(16,453)	0	(213,925)
Equipment and Furniture	(345,439)	(28,530)	0	(373,969)
Vehicles	(379,743)	(46,834)	0	(426,577)
Total Accumulated Depreciation	<u>(\$5,924,157)</u>	<u>(\$323,932)</u>	<u>\$0</u>	<u>(\$6,248,089)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$6,927,507</u>	<u>(\$215,736)</u>	<u>\$0</u>	<u>\$6,711,771</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

9) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 143
Support Services	48,790
Food Service	2,854
Athletics	27,168
Unallocated	<u>244,977</u>
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 323,932</u>

10) GENERAL LONG-TERM DEBT

A) General Obligation Bonds Payable – 1993 Series

Glen Lake Community Schools has issued bonds to partially advance refund the 1991 Series bonds. These bonds were issued October 21, 1993 in the amount of \$7,288,517.45 bearing interest at rates varying from 2.6% to 5.95 per annum. The balance of the bonds as of June 30, 2006 was \$4,058,517.

B) 2003 REFUNDING BONDS

On September 30, 2003, the Glen Lake Community Schools issued \$2,725,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 1.50% to 2.75%. The District issued the bonds to advance refund \$2,900,000 of the outstanding 1993 Bond Issue with a interest rate ranging from 4.4% to 4.9%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. The balance of the 2003 refunding bonds was \$1,205,000 at June 30, 2006.

C) Durant Resolution Package Bonds

Glen Lake Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$73,789.00 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2006 was \$43,570.

D) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2006 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2007	\$588,741	\$33,115	\$621,856
June 30, 2008	623,920	18,312	642,232
June 30, 2009	351,416	479,767	831,183
June 30, 2010	347,935	527,247	875,182
June 30, 2011	355,547	588,906	944,453
June 30, 2012-2016	1,551,876	3,523,486	5,075,362
June 30, 2017-2021	<u>1,487,652</u>	<u>5,162,347</u>	<u>6,649,999</u>
 <u>TOTAL</u>	 <u>\$5,307,087</u>	 <u>\$10,333,180</u>	 <u>\$15,640,267</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

10) GENERAL LONG-TERM DEBT (Continued)

D) Annual Principal Requirements (Continued)

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$45,085.

E) Changes in General Long-Term Debt

	Balance 7-1-05	Additions	Deductions	Balance 6-30-06	Amount Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$5,860,659	\$0	\$553,572	\$5,307,087	\$588,741
Unpaid Sick Days Payable	272,588	0	23,120	249,468	0
<u>Total Governmental Activities</u>	<u>\$6,133,247</u>	<u>\$0</u>	<u>\$576,692</u>	<u>\$5,556,555</u>	<u>\$588,741</u>

11) FUND BALANCE DESIGNATIONS

The District's Board of Education had designated \$76,542 of the District's General Fund fund balance for the following:

Headlee Millage Tutoring/S.E. Funds	<u>\$76,542</u>
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12) INTERFUND ACTIVITY

Interfund balances at June 30, 2006 consisted of the following:

DUE FROM	
DUE TO	GENERAL FUND
Special Revenue Fund	<u>\$13,414</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following:

TRANSFERS FROM			
TRANSFERS TO	General Fund	Timber Management Fund	Total
General Fund	\$0	\$77,500	\$77,500
Athletics Fund	180,309	0	180,309
<u>TOTAL</u>	<u>\$180,309</u>	<u>\$77,500</u>	<u>\$257,809</u>

These transfers were made to subsidize the cost of services for athletics and provide for additional education services in the general fund.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

14) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 14.87 percent for the period July 1, 2004 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2006, 2005 and 2004 were \$662,876, \$590,916 and \$544,611, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

15) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

16) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor agencies. The audits of these programs for and including the year ended June 30, 2006, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the district expects such amounts, if any, to be immaterial.

17) SUBSEQUENT EVENT

The District passed a sinking fund millage of 1.00 mill in May of 2006.

OTHER SUPPLEMENTAL
INFORMATION

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006

	Special Revenue Funds	Debt Retirement Funds	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$41,643	\$156,217	\$197,860
Inventory	4,264	0	4,264
<u>TOTAL ASSETS</u>	<u>\$45,907</u>	<u>\$156,217</u>	<u>\$202,124</u>
<u>LIABILITIES</u>			
Accounts Payable	\$2,150	\$0	\$2,150
Due to Other Funds	13,414	0	13,414
Total Liabilities	\$15,564	\$0	\$15,564
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	4,264	0	4,264
Debt Retirement	0	156,217	156,217
Unreserved:			
Undesignated, Reported In:			
Special Revenue Funds	26,079	0	26,079
Total Fund Balances	<u>\$30,343</u>	<u>\$156,217</u>	<u>\$186,560</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$45,907</u>	<u>\$156,217</u>	<u>\$202,124</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds	Debt Retirement Funds	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$225,479	\$660,221	\$885,700
State Sources	8,994	5,182	14,176
Federal Sources	63,452	0	63,452
Total Revenues	<u>\$297,925</u>	<u>\$665,403</u>	<u>\$963,328</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>102,809</u>	<u>0</u>	<u>102,809</u>
Total Revenues & Other Financing Sources	\$400,734	\$665,403	\$1,066,137
<u>EXPENDITURES</u>			
Special Revenue	485,776	0	485,776
Debt Service	0	598,657	598,657
Total Expenditures	<u>\$485,776</u>	<u>\$598,657</u>	<u>\$1,084,433</u>
Net Change in Fund Balance	(\$85,042)	\$66,746	(\$18,296)
<u>NET ASSETS - BEGINNING</u>	<u>115,385</u>	<u>89,471</u>	<u>204,856</u>
<u>NET ASSETS - ENDING</u>	<u>\$30,343</u>	<u>\$156,217</u>	<u>\$186,560</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
SPECIAL REVENUE
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

	Food Service	Athletic Activities	Timber Management	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$22,844	\$2,816	\$15,983	\$41,643
Inventory	4,264	0	0	4,264
<u>TOTAL ASSETS</u>	<u>\$27,108</u>	<u>\$2,816</u>	<u>\$15,983</u>	<u>\$45,907</u>
<u>LIABILITIES</u>				
Accounts Payable	\$2,150	\$0	\$0	\$2,150
Due to Other Funds	13,414	0	0	13,414
Total Liabilities	\$15,564	\$0	\$0	\$15,564
<u>FUND EQUITY</u>				
Reserved for Inventory	4,264	0	0	4,264
Unreserved and Undesignated	7,280	2,816	15,983	26,079
Total Fund Equity	\$11,544	\$2,816	\$15,983	\$30,343
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$27,108</u>	<u>\$2,816</u>	<u>\$15,983</u>	<u>\$45,907</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	Food Service	Athletic Activities	Timber Management	Total
<u>REVENUES</u>				
<u>Local Sources</u>				
Cafeteria Sales	\$174,550	\$0	\$0	\$174,550
Athletic Activities	0	49,848	0	49,848
Interest	221	0	370	591
Other Local Sources	195	295	0	490
Total Local Sources	\$174,966	\$50,143	\$370	\$225,479
<u>State Sources</u>				
State Reimbursements	8,994	0	0	8,994
<u>Federal Sources</u>				
Federal Reimbursements	53,077	0	0	53,077
Commodities	10,375	0	0	10,375
Total Federal Sources	\$63,452	\$0	\$0	\$63,452
Total Revenues	\$247,412	\$50,143	\$370	\$297,925
<u>OTHER FINANCING SOURCES</u>				
Transfers from General Fund	0	180,309	0	180,309
Total Revenues and Other Financing Sources	\$247,412	\$230,452	\$370	\$478,234
<u>EXPENDITURES</u>				
Salaries - Non-Professional	80,262	122,861	0	203,123
Fica, Retirement, Etc.	19,148	27,068	0	46,216
Purchased Services	0	28,900	0	28,900
Supplies and Materials	148,191	4,849	0	153,040
Capital Outlay	0	36,385	0	36,385
Other	2,320	15,792	0	18,112
Total Expenditures	\$249,921	\$235,855	\$0	\$485,776
<u>OTHER FINANCING SOURCES</u>				
Transfers to General Fund	0	0	77,500	77,500
Total Revenues and Other Financing Sources	\$249,921	\$235,855	\$77,500	\$563,276
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>(\$2,509)</u>	<u>(\$5,403)</u>	<u>(\$77,130)</u>	<u>(\$85,042)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$14,053</u>	<u>\$8,219</u>	<u>\$93,113</u>	<u>115,385</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$11,544</u>	<u>\$2,816</u>	<u>\$15,983</u>	<u>\$30,343</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
COMBINING BALANCE SHEET
DEBT RETIREMENT FUNDS
AS OF JUNE 30, 2006

	<u>2003 Debt Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$156,217</u>
<u>TOTAL ASSETS</u>	<u>\$156,217</u>
<u>FUND BALANCES</u>	
Reserved For:	
Debt Retirement	<u>\$156,217</u>
<u>TOTAL FUND BALANCES</u>	<u>\$156,217</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
DEBT RETIREMENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>2003</u> <u>Debt</u> <u>Fund</u>	<u>Durant</u> <u>Debt</u> <u>Fund</u>	<u>Total</u>
<u>REVENUE</u>			
<u>Local Sources</u>			
Property Taxes	\$659,028	\$0	\$659,028
Earnings on Investments and Deposits	1,043	0	1,043
Other Local Revenues	150	0	150
Total Local Sources	<u>\$660,221</u>	<u>\$0</u>	<u>\$660,221</u>
<u>State Sources</u>	<u>0</u>	<u>5,182</u>	<u>5,182</u>
Total Revenue	<u>\$660,221</u>	<u>\$5,182</u>	<u>\$665,403</u>
<u>EXPENDITURES</u>			
Redemption of Bonds	550,000	3,572	553,572
Interest	43,475	1,610	45,085
Total Expenditures	<u>\$593,475</u>	<u>\$5,182</u>	<u>\$598,657</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$66,746</u>	<u>\$0</u>	<u>\$66,746</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>89,471</u>	<u>0</u>	<u>89,471</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$156,217</u>	<u>\$0</u>	<u>\$156,217</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
ALL AGENCY FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

STUDENT ACTIVITY ACCOUNTS				
	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>ASSETS</u>				
Cash and Cash Equivalents	\$150,847	\$323,025	\$319,345	\$154,527
<u>TOTAL ASSETS</u>	<u>\$150,847</u>	<u>\$323,025</u>	<u>\$319,345</u>	<u>\$154,527</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$150,847	\$323,025	\$319,345	\$154,527
WELCH SCHOLARSHIP FUND				
	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>ASSETS</u>				
Cash and Cash Equivalents	\$8,323	\$0	\$5,594	\$2,729
Investments	146,823	6,968	6,070	147,721
Total Assets	<u>\$155,146</u>	<u>\$6,968</u>	<u>\$11,664</u>	<u>\$150,450</u>
<u>NET ASSETS</u>				
Held in Trust for Others	<u>\$155,146</u>	<u>\$6,968</u>	<u>\$11,664</u>	<u>\$150,450</u>
NORCONK SCHOLARSHIP FUND				
	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>ASSETS</u>				
Cash and Cash Equivalents	\$2,159	\$2,384	\$2,233	\$2,310
Investments	52,427	250	4,199	48,478
Total Assets	<u>\$54,586</u>	<u>\$2,634</u>	<u>\$6,432</u>	<u>\$50,788</u>
<u>NET ASSETS</u>				
Held in Trust for Others	<u>\$54,586</u>	<u>\$2,634</u>	<u>\$6,432</u>	<u>\$50,788</u>
PARDEE SCHOLARSHIP FUND				
	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>ASSETS</u>				
Cash and Cash Equivalents	\$11,576	\$3,415	\$8,000	\$6,991
Investments	310,228	20,860	9,675	321,413
Total Assets	<u>\$321,804</u>	<u>\$24,275</u>	<u>\$17,675</u>	<u>\$328,404</u>
<u>NET ASSETS</u>				
Held in Trust for Others	<u>\$321,804</u>	<u>\$24,275</u>	<u>\$17,675</u>	<u>\$328,404</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
ALL AGENCY FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

LEHMANN SCHOLARSHIP FUND				
	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>ASSETS</u>				
Cash and Cash Equivalents	\$10,439	\$2,758	\$4,500	\$8,697
<u>LIABILITIES</u>				
Due to Administrative Account	\$0	\$2,500	\$0	\$2,500
<u>NET ASSETS</u>				
Held in Trust for Others	10,439	258	4,500	6,197
<u>TOTAL LIABILITIES & NET ASSETS</u>	<u>\$10,439</u>	<u>\$2,758</u>	<u>\$4,500</u>	<u>\$8,697</u>
HUGHES SCHOLARSHIP FUND				
	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>ASSETS</u>				
Cash and Cash Equivalents	\$3,872	\$3,858	\$3,000	\$4,730
Investments	77,385	916	0	78,301
Total Assets	<u>\$81,257</u>	<u>\$4,774</u>	<u>\$3,000</u>	<u>\$83,031</u>
<u>NET ASSETS</u>				
Held in Trust for Others	<u>\$81,257</u>	<u>\$4,774</u>	<u>\$3,000</u>	<u>\$83,031</u>
MARGARET CARLSON BATES SCHOLARSHIP FUND				
	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>ASSETS</u>				
Cash and Cash Equivalents	\$16,063	\$118	\$500	\$15,681
<u>NET ASSETS</u>				
Held in Trust for Others	<u>\$16,063</u>	<u>\$118</u>	<u>\$500</u>	<u>\$15,681</u>
CORNELIUS JOHNSON SCHOLARSHIP FUND				
	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>ASSETS</u>				
Cash and Cash Equivalents	\$12,209	\$321	\$0	\$12,530
<u>NET ASSETS</u>				
Held in Trust for Others	<u>\$12,209</u>	<u>\$321</u>	<u>\$0</u>	<u>\$12,530</u>
TOTALS - ALL FUNDS				
	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>ASSETS</u>				
Cash and Cash Equivalents	\$215,488	\$335,879	\$343,172	\$208,195
Investments	586,863	28,994	19,944	595,913
<u>TOTAL ASSETS</u>	<u>\$802,351</u>	<u>\$364,873</u>	<u>\$363,116</u>	<u>\$804,108</u>
<u>LIABILITIES</u>				
Due to Student Groups	<u>\$802,351</u>	<u>\$364,873</u>	<u>\$363,116</u>	<u>\$804,108</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES FROM
Local Sources

Property Tax Levy	\$5,358,112
Earnings on Investments and Deposits	34,521
Tuition	29,861
Special Ed Millage	104,000
Other Local Revenues	62,811
Total Revenues from Local Sources	<u>\$5,589,305</u>

State Sources

Unrestricted	
State Aid - Foundation - Sec. 20	556,958
Restricted	
Special Education Categoricals	185,017
At Risk - Sec. 31A	105,481
Durant	7,379
Golden Apple	5,749
Michigan School Readiness	16,500
Other State Grants	572
Other State Grants from ISD	74,499
Total Revenues from State Sources	<u>\$952,155</u>

Federal Sources

Title I	103,048
Title V	4,982
Improving Teacher Quality	35,227
Technology Literacy Challenge	2,767
National Park - P.L. 94	4,110
Total Revenues from Federal Sources	<u>\$150,134</u>
Total Revenues	<u>\$6,691,594</u>

OTHER FINANCING SOURCES

Transfers from Other Governmental Units	19,287
Transfers from Other Funds	77,500
Total Other Financing Sources	<u>\$96,787</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES
\$6,788,381

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTION

BASIC PROGRAMS

Elementary

Salaries - Professional	\$929,143
Salaries - Non-Professional	50,231
Insurances	214,662
Fica, Retirement, Etc.	243,199
Other Benefits	8,586
Purchased Services	15,558
Supplies and Materials	47,203
Total Elementary	<u>\$1,508,582</u>

High School

Salaries - Professional	1,164,988
Salaries - Non-Professional	81,739
Insurances	325,542
Fica, Retirement, Etc.	299,791
Other Benefits	11,200
Purchased Services	18,009
Supplies and Materials	45,239
Other	4,261
Total High School	<u>\$1,950,769</u>

<u>Total Basic Programs</u>	<u>\$3,459,351</u>
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ADDED NEEDS

Special Education

Salaries - Professional	259,773
Salaries - Non-Professional	52,447
Insurances	78,066
Fica, Retirement, Etc.	74,591
Purchased Services	12,173
Supplies and Materials	2,535
Total Special Education	<u>\$479,585</u>

Compensatory Education

Salaries - Professional	37,260
Salaries - Non-Professional	44,236
Insurances	7,862
Fica, Retirement, Etc.	19,453
Purchased Services	105,525
Supplies and Materials	744
Total Compensatory Education	<u>\$215,080</u>

<u>Total Added Needs</u>	<u>\$694,665</u>
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<u>TOTAL INSTRUCTION</u>	<u>\$4,154,016</u>
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GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

SUPPORT SERVICES

Student Services

Salaries - Professional	\$114,600
Salaries - Non-Professional	24,038
Insurances	29,490
Fica, Retirement, Etc.	33,123
Purchased Services	680
Supplies and Materials	1,091
Other	200
Total Student Services	<u>\$203,222</u>

Instructional Support

Salaries - Professional	44,568
Salaries - Non-Professional	37,634
Insurances	6,546
Fica, Retirement, Etc.	15,926
Purchased Services	13,559
Supplies and Materials	7,910
Capital Outlay	26,867
Other	8,797
Total Instructional Support	<u>\$161,807</u>

General Administration

Salaries - Professional	67,492
Salaries - Non-Professional	31,956
Insurances	13,685
Fica, Retirement, Etc.	21,528
Other Benefits	216
Purchased Services	54,844
Supplies and Materials	3,785
Capital Outlay	780
Other	9,755
Total General Administration	<u>\$204,041</u>

School Administration

Salaries - Professional	215,879
Salaries - Non-Professional	50,280
Insurances	64,392
Fica, Retirement, Etc.	62,753
Other Benefits	1,986
Purchased Services	6,533
Supplies and Materials	2,095
Other	3,222
Total School Administration	<u>\$407,140</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

SUPPORT SERVICES (Continued)

Business Office

Salaries - Professional	\$69,727
Salaries - Non-Professional	24,541
Insurances	16,145
Fica, Retirement, Etc.	21,899
Other Benefits	1,662
Purchased Services	3,598
Other	45,394
Total Business Office	<u>\$182,966</u>

Operation and Maintenance

Salaries - Professional	47,286
Salaries - Non-Professional	194,026
Insurances	81,852
Fica, Retirement, Etc.	57,723
Purchased Services	61,081
Supplies and Materials	182,073
Capital Outlay	26,157
Other	1,924
Total Operation and Maintenance of Plant	<u>\$652,122</u>

Transportation

Salaries - Professional	1,600
Salaries - Non-Professional	208,414
Fica, Retirement, Etc.	49,731
Purchased Services	21,736
Supplies and Materials	88,217
Capital Outlay	60,926
Other	1,532
Total Transportation	<u>\$432,156</u>

Other Support Services

Salaries - Non-Professional	24,751
Insurances	9,079
Fica, Retirement, Etc.	8,428
Purchased Services	21,980
Supplies and Materials	2,231
Capital Outlay	31,621
Total Other Support Services	<u>\$98,090</u>

TOTAL SUPPORT SERVICES

\$2,341,544

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

COMMUNITY SERVICES

Salaries - Professional	\$26,864
Salaries - Non-Professional	15,954
Fica, Retirement, Etc.	10,134
Purchased Services	2,618
Supplies and Materials	2,800
Other	954
Total Community Services	<u>\$59,324</u>

TOTAL EXPENDITURES

\$6,554,884

OTHER FINANCING USES

Transfers to Other Funds	180,309
Interest	9,690
Other Transfers	5
Transfers to Other Gov't Units	<u>28,345</u>

TOTAL OTHER FINANCING USES

\$218,349

TOTAL EXPENDITURES AND OTHER
FINANCING USES

\$6,773,233

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
TRUST AND AGENCY FUNDS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2005	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
Academic Achievement	\$466	\$0	\$0	\$466
Adirondack Chairs	42	0	0	42
Administrative - Revolving	7,046	1,143	1,540	6,649
All Night Party	662	14,773	14,145	1,290
Art Club	477	1,451	1,165	763
Band Activities	2,042	6,823	5,238	3,627
Band Supplies	11	0	0	11
Baseball - Varsity	3,548	8,888	11,220	1,216
Basketball - Freshman Boys	86	247	276	57
Basketball - JV	358	0	70	288
Basketball - Middle School	276	63	319	20
Basketball - Varsity Boys	5,763	6,663	4,297	8,129
Basketball - Varsity Girls	1,793	4,025	2,146	3,672
Book Deposit	13,142	926	1,320	12,748
Cheerleaders - MS	48	0	0	48
Cheerleaders - Varsity	6	0	0	6
Choir - HS	388	1,567	1,358	597
Choir - MS	71	0	0	71
Class Of 1993	386	0	0	386
Class Of 1995	475	0	0	475
Class Of 1996	239	0	0	239
Class Of 1997	654	0	0	654
Class Of 1998	124	0	0	124
Class Of 2001	75	0	0	75
Class Of 2002	144	0	0	144
Class Of 2003	119	0	0	119
Class Of 2004	188	0	0	188
Class of 2005	1,045	0	0	1,045
Class of 2006	992	422	0	1,414
Class of 2007	817	2,902	2,792	927
Class of 2008	0	786	305	481
Class of 2009	0	185	0	185
Climbing Wall	12	0	0	12
Close-Up	119	11,615	11,727	7
Color Guard	883	0	0	883
Community Theatre	657	0	0	657
Concessions	965	22,942	22,681	1,226
Cross Country	3,366	1,650	4,025	991
Cross Country - MS	108	0	0	108
Dance Marathon	65	0	0	65
Dance Squad	590	0	0	590
Debate Club	117	0	0	117
Subtotal	<u>\$48,365</u>	<u>\$87,071</u>	<u>\$84,624</u>	<u>\$50,812</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN

TRUST AND AGENCY FUNDS

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2006

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2005	RECEIPTS	DISBURSEMENTS	JUNE 30, 2006
Drama Club - HS	\$1,969	\$2,083	\$2,138	\$1,914
Drama Club - MS	174	0	0	174
Drivers Training	0	225	225	0
Drug Free School	67	0	0	67
Eighth Grade Dance	257	0	0	257
Eighth Grade Science Club	2	0	0	2
Envirothon	131	0	0	131
Exposures - David House	330	0	0	330
Fitness Center	50	0	0	50
Football - Middle School	85	0	0	85
Football - Varsity	5,197	1,972	7,020	149
G.L. Women's Cl	308	0	0	308
Germany Trip	11	15,930	15,752	189
Glen Lake CARE Fund	2,895	0	665	2,230
Golf	318	345	295	368
Greenhouse Seed	409	93	0	502
High Potential	20	0	0	20
Home Tour Funds	600	17	558	59
Homerooms - HS	124	0	0	124
I.D. Card	793	35	117	711
Intramural	200	0	0	200
Kitchen	8	500	29	479
Lake MI Ski	2,925	1,600	3,640	885
Laker Chair Co	818	1,055	691	1,182
Library - Second	311	169	331	149
Manitou	623	0	168	455
Michigan Summer Read	563	0	519	44
Mighty Fine Art	19,603	7,399	7,346	19,656
Miscellaneous - MS	0	60	60	0
Natural Helpers	131	0	0	131
Ninth Grade Retreat	0	6,878	6,266	612
Office - HS	1,089	3,014	3,996	107
Office - Second	40	0	30	10
Outdoor Education	0	10,906	9,241	1,665
P.T.O Fruit Sales	17	0	0	17
P.T.O. Wish List	38	0	0	38
Parent Network	66	0	0	66
Physical Exam Fees	4,755	1,074	625	5,204
Physics Club	5,394	3,337	2,550	6,181
Project HERO	325	1,000	835	490
Room 409	2,250	0	0	2,250
Scholarships	0	19,950	20,450	(500)
Shakespeare Club	5	0	0	5
Subtotal	\$52,901	\$77,642	\$83,547	\$46,996

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN

TRUST AND AGENCY FUNDS

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2006

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2005	RECEIPTS	DISBURSEMENTS	JUNE 30, 2006
Shop Class	\$831	\$73	\$0	\$904
Singers - HS	25	0	25	0
Ski Team Club	101	775	0	876
Snowboard Club	25	0	0	25
Soccer - Boys	143	4,141	4,128	156
Soccer - Girls	189	157	62	284
Soccer Boosters	207	1,619	1,672	154
Softball Club	388	33,381	32,587	1,182
Softball Grant - Girls	0	10,000	3,500	6,500
Sound System - Football	3,900	0	457	3,443
Spanish Club	63	0	0	63
Special Education	131	0	0	131
Splash	106	0	0	106
Splish	244	0	0	244
Stratford Trip	2,385	7,560	7,275	2,670
Student Council - HS	3,939	14,792	15,392	3,339
Student Council - MS	2,192	242	2,334	100
Students for World Awareness	0	409	223	186
Sunshine Club	248	0	137	111
Tennis Club	376	0	0	376
Theatre Arts	193	0	193	0
Track - Boys	655	296	244	707
Track - Girls	382	1,559	866	1,075
Track - MS	209	303	273	239
Trust Account	535	0	0	535
Volleyball Club	1,295	1,224	284	2,235
Volleyball - MS	0	759	759	0
Weight Room	1,042	214	1,256	0
Wrestling Club	483	0	0	483
Year Book - HS	901	13,323	12,483	1,741
Year Book - MS	1,218	5,655	6,411	462
Subtotal	\$22,406	\$96,482	\$90,561	\$28,327
<u>Elementary Activity Accounts</u>				
Art	22	0	0	22
Ash Account	251	535	413	373
Assembly Account	50	895	895	50
Bank Charges	(6)	0	0	(6)
Brow Account	65	702	695	72
Bruggeman	385	200	493	92
Cd & Tapes	31	0	0	31
Cherry Festival Float	4	0	0	4
Subtotal	\$802	\$2,332	\$2,496	\$638

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN

TRUST AND AGENCY FUNDS

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2003

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2005	RECEIPTS	DISBURSEMENTS	JUNE 30, 2006
<u>Elementary Activity Accounts (Continued)</u>				
Core	\$426	\$0	\$0	\$426
Counselor Account	51	0	42	9
Drama	1,205	1,599	1,831	973
Elementary Office	3,401	2,918	4,532	1,787
Fifth Grade	6,246	33,171	32,682	6,735
Fifth Grade Basketball	67	0	0	67
Fifth Grade Stop	0	864	834	30
First Grade	30	0	0	30
Fourth Grade	3,906	4,226	4,153	3,979
Hobbins Account	173	0	0	173
Hollenbeck Account	23	0	0	23
J. Gretzmacher	208	966	769	405
Johnson	1,142	530	406	1,266
Jones	2	0	0	2
Library	360	6,641	6,302	699
Little Laker Festival	131	500	138	493
M. Schultz	20	480	459	41
Mark Mills	2,315	480	725	2,070
McNew Account	588	480	588	480
Odyssey of The Mind	801	2,908	2,113	1,596
P Deering	684	200	0	884
Pals Program	504	500	155	849
Pep Rally Fund	0	250	0	250
Pierce	855	480	530	805
Playground	689	100	0	789
Recorder	90	0	0	90
Resource Room	408	111	0	519
Ruman	0	495	493	2
Scanlon	45	0	0	45
Science Center	149	56	0	205
Student Assistance	505	0	264	241
T. Lichty	1,076	986	578	1,484
Textbook	150	0	0	150
Third Grade	123	0	0	123
Thoreson	0	557	523	34
Total Elementary	<u>\$27,175</u>	<u>\$61,830</u>	<u>\$60,613</u>	<u>\$28,392</u>
<u>TOTAL STUDENT GROUPS</u>	<u>\$150,847</u>	<u>\$323,025</u>	<u>\$319,345</u>	<u>\$154,527</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1993 SCHOOL CAPITAL PROJECT AND REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>
May 1, 2009	\$347,309	5.65	\$477,692
May 1, 2010	343,633	5.70	526,367
May 1, 2011	337,714	5.80	582,286
May 1, 2012	313,754	5.80	591,246
May 1, 2013	309,735	5.85	645,265
May 1, 2014	309,222	5.85	700,778
May 1, 2015	304,579	5.90	760,421
May 1, 2016	304,919	5.90	825,081
May 1, 2017	302,974	5.90	887,026
May 1, 2018	297,899	5.95	957,101
May 1, 2019	296,601	5.95	1,028,399
May 1, 2020	295,540	5.95	1,104,460
May 1, 2021	294,638	5.95	1,185,362
<u>TOTALS</u>	<u>\$4,058,517</u>		<u>\$10,271,484</u>

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$73,789.00

2003 REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>
May 1, 2007	\$585,000	2.50	\$31,675
May 1, 2008	620,000	2.75	17,050
<u>TOTALS</u>	<u>\$1,205,000</u>		<u>\$48,725</u>

DATE OF ISSUE - September 30, 2003

Original amount of issue - \$2,725,000

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE - MAY 15TH</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>
2007	\$3,741	4.761353%	\$1,440
2008	3,920	4.761353%	1,262
2009	4,107	4.761353%	1,075
2010	4,302	4.761353%	880
2011	17,833	4.761353%	6,619
2012	4,721	4.761353%	460
2013	4,946	4.761353%	235
<u>TOTAL</u>	<u>\$43,570</u>		<u>\$11,971</u>



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

July 25, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Glen Lake Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glen Lake Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the Glen Lake Community Schools' basic financial statements and have issued our report thereon dated July 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Glen Lake Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

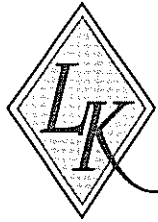
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glen Lake Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Glen Lake Community Schools, in a separate letter dated July 25, 2006.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



July 25, 2006

To the Board of Education of
Glen Lake Community Schools

In planning and performing our audit of the financial statements of Glen Lake Community Schools for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Glen Lake Community Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2006, Glen Lake Community Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

FUTURE ISSUES

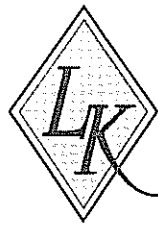
1. MDE Changes Enforcement of Budgeting Act

The Michigan Department of Education (MDE) recently notified all Michigan School Districts that it was implementing changes in its enforcement of the Uniform Budgeting and Accounting Act. From their perspective, MDE is making this policy change in an effort to elevate awareness of the importance of proper budgeting and the need for district procedures to be in place to detect budget violations. MDE has not aggressively pursued these violations in past years, but has stated their intention to change that policy retroactively to the 2004-05 fiscal year. For that year, the Department has indicated that they are only focusing on the General Fund and will only act upon *Total Expenditures* violations that exceed 1% of the Total Expenditures budget and *Total Other Financing Uses* violations that exceed 1% of the Total Other Financing Uses budget.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (overspending your budget)
- Ending the fiscal year with a deficit (negative fund balance), and
- Adopting a budget that, when implemented, would put the district in a deficit.
- The Department is also currently considering that a violation of the Act also includes the situation where the district did not achieve their full revenue budget and, at the same time, depleted the district fund balance beyond what had been approved by the school board.

Amending your budget before June 30 of each year is the main way to avoid receiving a violation letter from the Department.



Glen Lake Community Schools
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July 26, 2005

FUTURE ISSUES (Continued)

2. GASB 45

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Glen Lake Community Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

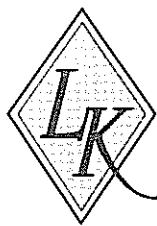
The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

3. Cash Management of Federal Grants

The advance provisions of the Cash Management Improvement Act (CMIA) requires that advances be limited to three days cash needs. The Michigan Department of Education will no longer allow thirty day cash advances for ongoing programs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



Glen Lake Community Schools

Page 2

July 26, 2005

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Glen Lake Community Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS